

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 171503

17

ORIGIN EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 /048 R

DRAFTED BY EB/FTD:WMIMS/EA/PHL:RTWILLNER:JAK

APPROVED BY EA:LEEDMOND

EA/PHL:BAFLECK

USDA:JBUTLER

EB/FTD:MSMITH

--

----- 016759

R 212303Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

LIMITED OFFICIAL USE STATE 171503

E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACT PROBLEM

REFS : A) MANILA 9622; B) MANILA 9811

FOR ARNOLD FROM EDMOND

1. WHILE INDICATIONS ARE THAT PHILIPPINE MILLS AND DBP HAVE GENERALLY BEEN MAKING EFFORT TO LIVE UP TO ASSURANCES, RECENT PROBLEMS GIVE US CONSIDERABLE CONCERN.

2. WITH REGARD TO YUPANGCO PROBLEM AND REF A, DEPARTMENT BELIEVES CIEC HAS MADE REASONABLE OFFER OF CONCESSION, AND WE HAVE IMPRESSION THAT YUPANGCO IS SIMPLY TRYING ALL POSSIBLE MEANS TO DELAY OPENING L/C'S. FOR THE RECORD, CIEC

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 171503

TELLS US OFFER CONFIRMED TO YUPANGCO ON JUNE 28. YUPANGCO

MAY BE HOPING THAT INDEED SOME "HIGHER AUTHORITY" WILL INTERVENE AND RELIEVE THEM OF PROBLEM, AND DBP DOESN'T SEEM EAGER TO DISAPPOINT SUCH HOPES.

3. REPRESENTATIVES OF ACSA HAVE INFORMED DEPARTMENT THAT THE DBP HAS APPARENTLY EXTENDED UNILATERALLY THE DEADLINE FOR SECOND PERIOD SALES BY ONE WEEK, SINCE MOST MILLS HAVE NOT PAID "GUARANTEE FEE". WE DON'T THINK THAT THIS IS AN

ACCEPTABLE REASON FOR DELAYING OPENING OF L/C'S.

4. THERE ALSO APPEARS TO BE A CONCERTED MOVE BY THE MILLS, WHEN THEY OPEN L/C'S, TO TRY TO INCLUDE NEW AND ADDITIONAL TERMS NOT CONTAINED IN THE CONTRACTS, I.E., INCREASE IN QUALITY, ETC. IT IS NOT REASONABLE FOR A MILL TO ASK FOR NEW TERMS IN A CONTRACT WHICH THEY HAVE THUS FAR REFUSED TO HONOR. - - -

5. CANCELLATION OF THE WAIVER OF THE REQUIREMENT FOR USE OF PHILIPPINE FLAG VESSELS FOR PERIOD TWO SALES (REF B) IS ALSO DISTURBING. AS THERE IS STILL NOT ENOUGH PHILIPPINE FLAG SPACE AVAILABLE TO SHIP THE COTTON IN ACCORDANCE WITH THE ASSURANCES, THIS LOOKS LIKE A FURTHER DELAYING TACTIC ON THE PART OF DBP.

6. WE ARE ANXIOUS TO MAKE SURE GOP RECOGNIZES OUR CONTINUED CONCERN WITH THIS DISAGREEABLE BUT SERIOUS PROBLEM AND THAT PHILIPPINE GOVERNMENT AND INDUSTRY DO NOT CONCLUDE THEY CAN ERODE THEIR COMMITMENT TO FULFILL CONTRACTS. I HOPE, THEREFORE, THAT YOU WILL CONTINUE YOUR PERSONAL EFFORTS WITH THE DBP OR OTHERS AS APPROPRIATE TO GET THIS SITUATION RESOLVED.

7. IN YOUR APPROACH TO THE DBP YOU MIGHT DRAW ON THE FOLLOWING POINTS:

A) WHILE WE UNDERSTAND THAT DBP HAS INTERNAL PROBLEMS IN DEALING WITH PHILIPPINE MILLS, OUR PRIMARY CONCERN STILL IS TO SEE L/C'S OPENED IN ACCORDANCE WITH TERMS OF THE ASSURANCES PROVIDED ON MAY 8. DEVELOPMENTS SUCH AS THOSE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 171503

OUTLINED ABOVE ARE VERY DISTURBING AND SEEM TO TAKE US BACK TO THE TYPE OF SITUATION WE HAD PREVIOUSLY. WE CANNOT, FOR EXAMPLE, AGREE TO DELAY IN OPENING OF L/C'S WHILE MILLS ATTEMPT TO OBTAIN BETTER TERMS UNDER CONTRACTS. WE ALSO WOULD APPRECIATE EXPLANATION OF DECISION TO RECALL WAIVER ON USE OF PHILIPPINE FLAG VESSELS FOR PERIOD TWO SALES.

B) WITH REGARD TO YUPANGCO AND PARA 4 REFTTEL A, CIEC'S

OFFER OF SAMPLE INSPECTION PRIOR TO SHIPMENT STILL STANDS, AS DOES ITS WAIVER OF CARRYING CHARGES. DEPARTMENT FEELS THAT CIEC'S OFFER IS A REASONABLE ONE AND THAT QUALITY CLAIMS BEING A SEPARATE ISSUE WE SEE NO REASON TO TREAT YUPANGCO DIFFERENTLY FROM OTHER MILLS.

C) WITH REGARD TO UNITED ASIA, IT APPEARS TO US THAT THERE IS NO BASIS FOR FORCE MAJEURE CLAIM SINCE SHIPMENTS WERE DUE AND PLANNED FOR SEPTEMBER, 1974, LONG BEFORE MILL

BURNED DOWN. ALSO, DBP REGISTERED SALES WITH GSM ON JUNE 16, 1975, AND THEREFORE OBVIOUSLY HAD INTENTION OF COMPLETING SALE AT THAT TIME. ONE OBVIOUS SOLUTION TO PROBLEM WOULD BE FOR DBP TO OPEN L/C AND SELL COTTON TO OTHER MILLS, A PROCEDURE WHICH WE UNDERSTOOD WAS CONTEMPLATED AS A LAST RESORT WHEN DBP GAVE THE ASSURANCES IN MAY.

8. SINCE WE AND USDA ARE RECEIVING CONTINUAL PRESSURE FROM THE SHIPPERS REGARDING THE CONTRACTS NOT BEING FULFILLED, WE WOULD APPRECIATE A REPORT ON YOUR DISCUSSIONS AS SOON AS POSSIBLE. KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, CREDIT, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE171503
Document Source: CORE
Document Unique ID: 00
Drafter: WMIMS/EA/PHL:RTWILLNER:JAK
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750252-0271
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750736/aaaabgaa.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 : MANILA 9622, 75 MANILA 9811
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by CunninFX>; APPROVED <19 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COTTON CONTRACT PROBLEM
TAGS: ETRD, RP, US, YUPANGCO
To: MANILA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006